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SUBJECT: NINEWA'S FUEL CRISIS

Classified By: NINEWA PRT Leader James Knight: Reasons 1.4 (b) and (d).  
This is a Ninewa Provincial Team (PRT) message.

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SUMMARY  
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¶1. (C) Unending fuel shortages in Ninewa are the preoccupation of all/all PRT interlocutors, second only to ongoing violence in Mosul. These shortages are the single most critical issue impeding improved security and economic rehabilitation throughout Ninewa. They restrict mobility of Iraqi security forces, and feed discontent by preventing use of private generators to deal with long daily power outages, limiting household food preparation, and throttling commerce.

¶2. (C) These shortages will become volatile as winter approaches, especially since kerosene for household heating is in extremely short supply with no relief in sight. At this point 3,500 fuel trucks remain stalled at Harbur Gate -- an average of only 50 per day crossed into Iraq in August. End summary.

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Bad now . . .  
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¶3. (C) Extraordinarily limited deliveries of fuel -- benzene (gasoline), diesel, LPG, and kerosene -- are now entering Ninewa through both formal and black markets channels. The fuel shortage has forced 'normal' waits of 12-14 hours and miles-long queues at official stations for a weekly ration of 20 liters of diesel or benzene. Demand has pushed black-market prices to four times the official price for benzene, ten times the official price for diesel and kerosene, and twenty times the official price for LPG (ID = Iraqi Dinar, currently about 1500 ID/USD):

FUEL	OFFICIAL PRICE	BLACK MARKET (Mosul) PRICE
Benzene	350 ID/liter	1250 ID/liter
Diesel	75 ID/l	750 ID/l
Kerosene	25 ID/l	750 ID/l
LPG	1000 ID/canister	20,000 ID/canister

¶4. (C) The most worrisome immediate impact of the shortage of motor fuel has been movement limits

imposed on Iraqi security forces. Iraqi police in Mosul are now restricted to 50 km per vehicle per day. Similar problems limit Iraqi Army operations throughout the province.

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. . . but going to be worse  
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15. (C) Our interlocutors' focus on the fuel shortage's impact has shifted since summer heat has begun to moderate, reminding everyone that winter is coming. Complaints now point to household heating needs in winter. Current imports of kerosene used for heating have not allowed households to accumulate stocks (last winter's solution) and the ongoing severity of the shortage has ignited fears that the winter will be deadly without indoor heat.

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A clogged border crossing . . .  
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16. (C) As of the end of August 2006, 3,500 fuel trucks were backed up at Harbur Gate awaiting passage across the Turkish/Iraqi border. PRT records for August 2006 (based on figures provided by Coalition personnel at Harbur Gate) indicated that the largest number of fuel trucks crossing the border on any day in August was 121 (all fuel products) on 30 August; the daily average for the month was 50.

17. (C) Of the 1549 fuel trucks which entered Iraq from Harbur Gate in August, 766 carried benzene, 292

BAGHDAD 00003358 002 OF 002

diesel, and 558 LPG (in canisters). None/none carried kerosene -- the last reported crossing of trucks carrying kerosene was 22 July, when three such trucks entered Iraq. Before 22 July the last prior entry of kerosene was 18 June, when four trucks crossed into Iraq. At the current rate of entry, the backlog of fuel trucks already/already waiting at Harbur Gate will not be cleared until early November 2006.

18. (C) A small percentage of Ninewa's fuel needs are provided by imports from Syria through Rabe'a. That flow (214 trucks in July, 318 in August, all benzene) appears unlikely to increase to levels high enough to moderate Ninewa's fuel crisis, at least over the short or medium term.

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. . . and massive shrinkage once across  
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19. (C) Apart from the slow passage of fuel trucks at Harbur Gate, only a small percentage of fuel imports are delivered to official distribution points once in Iraq. Iraqi and KRG officials and Coalition personnel indicate that as much as 70 per cent of fuel brought across the border is diverted to the black market before reaching official distribution points. If true, this suggests that only about 8 mn liters of benzene imported through Harbur Gate in August was actually pumped at official distribution points, while nearly 20 mn liters went missing -- to eventually appear on the black market, in Ninewa or elsewhere.

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no alternatives  
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¶10. (C) In Ninewa these shortages are felt most sharply in Mosul and Tal'Afar. Mosul city is built to run on electricity and petroleum fuels. It has no significant capacity to utilize energy alternatives -- fuel and electricity are essential for the city to work. Even so, Provincial officials report that Ninewa Woods -- the largest tract of trees close to the city -- is already subject to illegal woodcutting as residents seek wood for cooking.

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Iran another option?  
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¶11. (C) All of northern Iraq is struggling with this problem. KRG President Barzani recently indicated that a number of solutions are being considered by the KRG if fuel imports from Turkey remain blocked, including rehabilitation and enhancement of refineries. However, such efforts are unlikely to solve the problem in the short term; when pressed, Barzani indicated that fuel procured through commercial channels from Iran may soon become necessary.

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Comment  
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¶12. (S) The fuel shortage in Ninewa is apparently an instance of Turkish pressure on the KRG, exacerbated by black marketeering within Iraq. However, this tactic seems to be only strengthening Kurdish solidarity, and may open KRG dependence on Iranian fuel suppliers. In addition, these shortages prevent Ninewa from becoming an effective counterweight to further expansion of Kurdish influence.

¶13. (S) Comment continued. The very great differences between official and black-market fuel prices give enormous incentives to black marketeers. Those incentives can only be effectively countered by moving beyond Iraq's Public Distribution System, which holds official fuel prices to such artificially low levels. Liberalizing the fuel market will not solve Ninewa's shortages, but would allow fairer distribution of fuel which does manage to transit Harbur Gate. End comment.  
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